UNITED NATIONS

General Assembly

FORTY-NINTH SESSION

Official Records

FIFTH COMMITTEE
4th meeting
held on
Tuesday, 11 October 1994
at 10 a.m.
New York

SUMMARY RECORD OF THE 4th MEETING

Chairman: Mr. TEIRLINCK (Belgium)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

CONTENTS

AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued)

AGENDA ITEM 120: FINANCING OF THE UNITED NATIONS OBSERVER MISSION IN EL SALVADOR (continued)

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of the publication* to the Chief of the Official Records Editing Section, room DC2-794, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

Distr. GENERAL
A/C.5/49/SR.4
18 October 1994

ORIGINAL: ENGLISH

94-81544 (E)

The meeting was called to order at 10.20 a.m.

AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/49/11, A/49/400 and Add.1 and 2)

1. Mr. NOVRUZOV (Azerbaijan) said that, at its forty-seventh session, in 1992, the Committee on Contributions had recommended to the General Assembly that it should set Azerbaijan's contribution to the regular budget at 0.22 per cent. The calculation had been based on statistical data of the former Union of Soviet Socialist Republics and the official and unrealistic dollar-rouble exchange rate. The decision on the scale of assessments taken at the forty-seventh session of the General Assembly had clearly been unjust with regard to almost all the former Soviet republics, and doubly so with regard to Azerbaijan. In addition to the difficulties associated with the transition to a market economy, Azerbaijan had been a victim of external aggression resulting in the occupation of more than 20 per cent of its territory and 1 million refugees. Its capacity to pay had thus been significantly reduced and its rate of assessment in no way reflected its economic situation. That point had been made repeatedly: in letters from the Minister for Foreign Affairs to the Secretary-General, in official representations to the Committee on Contributions, and in statements made by his delegation in the General Assembly. The arguments of the former Soviet republics had been disregarded. The only encouraging point was the intention, stated in General Assembly resolution 48/223 B, that 50 per cent of the effect of the scheme of limits should be phased out. It was on that understanding that his delegation had supported the resolution in the Fifth Committee although it had been dissatisfied with much of its content.

2. The recommendations contained in the report of the Committee on Contributions on its forty-ninth session (A/49/11) were again disappointing. In particular, his delegation could not agree to the recommendation in paragraph 60 that there should be three separate scales of assessments, for 1995, 1996 and 1997, since it was inconsistent with the General Assembly recommendation concerning the phasing out of 50 per cent of the effects of the scheme of limits over a three-year period. It meant that Azerbaijan would have to pay, to the regular budget and to peace-keeping operations, almost $1 million more than it would have had to pay if the Committee had complied strictly with the General Assembly recommendations. If the General Assembly adopted the Committee's recommendations it would be contradicting its own decision, taken less than a year earlier.

3. Azerbaijan welcomed the fact that the Committee on Contributions had used a somewhat shorter statistical base period and uniform exchange rates. Moreover, in paragraph 19 of its report it referred to the possibility of the early introduction of a scale of assessments, incorporating the 50 per cent phase-out. That approach had the support of the 15 former Soviet republics, whose position had been set out in an informal paper circulated to members of the Fifth Committee. They were ready to engage in a constructive dialogue but wanted their position to be taken into account, at last.

4. The Government of Azerbaijan would continue fully to discharge its obligations as a Member of the United Nations, and its arrears of contributions

to the regular budget and to peace-keeping operations would gradually be paid off. It intended to make provision for such payment in the 1995 budget. But one should not ask the impossible. The Government had been compelled to use its limited foreign currency reserves to buy food, drugs and other essential items. Azerbaijan was grateful for the humanitarian aid provided by the specialized agencies, but pointed out that it was illogical to give with one hand and take back with the other. It did not seek special treatment but wanted the General Assembly to be consistent in implementing its own decisions.

5. Mr. HAMZAH (Iraq), referring to his country's record of cooperation and active participation in the United Nations, of which it was a founding Member, and in other international organizations and the assistance and substantial loans it had granted to developing countries, said that it was aware of the financial crisis which the United Nations was experiencing and had paid its contributions promptly in the past. However, the imposition of sanctions on his country under Security Council resolution 661 (1990), including the freezing of Iraqi assets abroad, coupled with the devastating consequences of the Gulf War, constituted a case of force majeure that rendered it impossible for Iraq to pay its financial contributions to the regular budget of the United Nations.

6. Iraq would nevertheless honour its financial commitments to the Organization. It had requested the Committee on Contributions to review the rate of assessment for Iraq, taking into account the country's compelling circumstances, and had further requested it to consult with the Secretary-General with a view to allowing Iraq to pay its contribution in local currency in respect of the financing of United Nations activities in Iraq. His country had therefore been surprised to note from the Committee's report that Iraq's contribution was to be increased from 0.13 per cent to 0.14 per cent for the years 1995, 1996 and 1997.

7. He wished to know the criterion on which the Committee on Contributions had based its recommendation for an increase in Iraq's contribution despite the prevailing difficult conditions in his country. Indeed, Iraq had expected an objective, neutral study of those conditions and, at the very least, agreement that part of its contribution could be paid in local currency, in the light of its hard-currency and cash-flow shortages, the fact that it had been deprived of export-import mechanisms and the economic hardship stemming from the sanctions.

8. His delegation felt that the rate of assessment recommended for Iraq was unrealistic and that the increase for the coming years was not warranted by the statistical data presented. It was therefore, regrettably, unable to agree to that increase and trusted that the Fifth Committee and the General Assembly would reject it and re-examine Iraq's rate for the duration of the unusual prevailing circumstances.

9. Mr. GJESDAL (Norway), speaking on behalf of the five Nordic countries, commended the Committee on Contributions on having translated General Assembly resolution 48/223 B into a workable recommendation for the scale of assessments for the contributions of Member States to the regular budget of the United Nations for the period 1995-1997, and in shedding light on the methodological problems it had encountered. The recommended scale was a step in the right direction in correcting long-standing distortions and more accurately reflecting

capacity to pay. Nevertheless, some countries, not least the countries in transition, were still over-assessed, while others were under-assessed, mainly because of the continuing influence of the scheme limits and the relatively long base period. In that connection, he noted that limiting the effects of the phase-out of the scheme of limits to 15 per cent for certain countries would lead to new distortions.

10. Regardless of their views on the scale methodology, the Nordic countries had always paid their assessed contributions in full, on time and without conditions, and would continue to do so. Payment was a treaty obligation. members of the Committee should remind themselves of the benefits their countries enjoyed as Member States, and their deliberations should be guided by a spirit of generosity and a sense of proportion.

11. The two main problems encountered by the Committee on Contributions concerned the determination of exchange rates and the number of steps involved in phasing out 50 per cent of the effects of the scheme of limits. The issue of exchange rates had been a complicating factor in determining rates of assessment for a number of new Member States, and had evolved into a general issue, occupying much of the time of the Committee on Contributions. The Nordic delegations noted the Committee's comment in paragraph 50 of its report (A/49/11) regarding the ambiguities concerning the multiple sources and types of exchange rate available and the significant effect of different exchange rates on the scale of assessments. They also took note of the statement by the Chairman of the Committee on Contributions that the Committee would address exchange-rate issues at its next session, and supported the request for a study of the criteria for converting national income data in preparation for the review of the scale methodology at the fiftieth session. In the meantime, the expert status of the Committee on Contributions should be respected and its recommendations followed.

12. The gradual approach to the phasing out of the scheme of limits meant that its distorting effects would be felt until the year 2000. On the grounds of fair burden-sharing and the financial soundness of the United Nations, the Nordic countries favoured the immediate abolition of the scheme of limits, even though they themselves would thereby receive more points at an earlier stage. They therefore supported a one-step phasing out of 50 per cent of the effects of the scheme of limits in 1995, rather than a three-step phase-out over the years 1995-1997.

13. The Nordic countries hoped that the current exercise would be the last time the General Assembly would be called upon to adopt a scale of assessments based on the present methodology. Further changes in the apportionment of the Organization's expenses should more accurately reflect capacity to pay as the basic principle of assessment. Fairer burden-sharing would, in turn, lead to a reduction in certain unreasonably high assessments and might change perceptions of the Organization and remove political obstacles to the payment of assessed contributions. It was important for the methodology to enjoy the confidence, or at least the acceptance, of all Member States.

14. Transparency was obviously the first prerequisite in judging the fairness of the scale. The present opaque methodology was so complicated that it was

difficult to judge what represented a fair scale. The modest reforms adopted at the forty-eighth session had served to add to the number of parameters and had led to some surprising results. The numerous criteria which currently determined capacity to pay and the distortions that had evolved over the years had led the Nordic countries to support a "clean-slate" approach, which should, however, include a relief mechanism for countries with below-average per capita incomes. As the scale was also used as a basis for assessments of contributions to peace-keeping operations, the budgets of which were now three times the size of the regular budget, it was more important than ever to ensure the fair application of the principle of capacity to pay.

15. Mr. SHARP (Australia), speaking on behalf also of Canada and New Zealand, noted that, pursuant to General Assembly resolution 48/223, the Committee on Contributions was recommending a three-step phase-out of the scheme of limits, an approach which was in conformity with rule 160 of the rules of procedure of the General Assembly. The main consideration was to start the phasing out in the 1995-1997 scale and complete it in the following scale. Failure to start phasing out the scheme would result in its collapse, since it would simply not be possible for redistributed points to be absorbed.

16. The phasing out of 50 per cent of the scheme of limits had reduced the rates of assessment of all the 22 countries which had previously belonged to the former Soviet Union, the former Yugoslavia and the former Czechoslovakia. When the effects of the scheme had been removed, their rates of assessment would better reflect capacity to pay.

17. The development of a transparent methodology reflecting genuine capacity to pay was long overdue. Of the elements in the current methodology, only national income was equitable. The current methodology for external debt meant, with a few exceptions, that debt relief was given only to developing countries, whereas it should be available to all Member States. Further, debt relief should be based on actual debt repayment rather than debt stocks. The so-called ad hoc adjustment to the machine scale had no place in the methodology and forced the Committee on Contributions to engage in horse-trading unfitted to a technical advisory body.

18. The element which most distorted the scale was, however, the low per capita income allowance formula, as result of which the contributions of some Member States had fallen to derisory levels. The capacity to pay principle was further distorted by the existence of the ceiling and the floor. The issue of exchange rates used in expressing national income in United States dollars must also be addressed and he supported the request by the Committee on Contributions for a study of exchange rates.

19. None of the distorting elements he had mentioned should be dealt with in isolation. What was needed was a review of the underlying principles set out in the General Assembly resolution of 1946, which provided the terms of reference of the Committee on Contributions.

20. Mr. MABILANGAN (Philippines) said that General Assembly resolution 48/223 B had endorsed the principle of capacity to pay as the fundamental criterion for determining the scale of assessments. A country's capacity to pay was affected

by external debt and per capita income, and those factors should therefore be taken into account. Relief should continue to be provided to developing countries with low per capita income, coupled with a heavy debt burden. In addition, a longer base period would provide an element of greater stability.

21. With regard to the phasing out of 50 per cent of the effects of the scheme of limits, his delegation supported the use of the country-by-country approach. He concurred with the comments of the Committee on Contributions regarding the difficulties arising from multiple sources of exchange rate and welcomed the request for a comprehensive study on the matter. Lastly, his delegation supported the recommendation of the Committee on Contributions regarding the scale of assessments for the period 1995-1997 contained in paragraph 60 of its report.

22. Mr. WISNUMURTI (Indonesia) said that the recommendation of the Committee on Contributions regarding a new scale of assessments was a reasonable one, and took into account the essential criteria set out in General Assembly resolution 48/223. The decision to spread the 50 per cent phase-out of the scheme of limits over three years represented a reasonable compromise, fully in accordance with rule 160 of the rules of procedure. Moreover, the recommended scale fairly reflected the capacity to pay of Member States. The Fifth Committee should have no difficulty in recommending approval of the new scale by the General Assembly.

23. In a review of the methodology for the scale, capacity to pay must be maintained as the fundamental criterion and in that regard the use of national income provided a sound basis. Fluctuations in national income should, moreover, be duly reflected in the scale. In that connection, market exchange rates should continue to be used for conversion, notwithstanding the difficulties that arose in comparing national incomes, particularly in the case of countries with non-convertible currencies. Consideration might also be given to the use of price adjusted rates of exchange, where necessary. His delegation saw no merit in applying the concept of purchasing power parity.

24. While national income provided a sound basis for determining capacity to pay, per capita income and external debt must also be taken into account. Debt servicing was a major drain on resources and resulted in crippling net negative transfers, the impact of which was aggravated by fluctuating exchange rates, rising interest rates and high inflation rates. Special attention should be given to those countries which, despite an adverse external financial situation, had continued to meet their obligations in a timely manner. The low per capita income allowance formula should also be retained.

25. Efforts to improve the methodology should be introduced on a gradual basis, and his delegation could not accept the "clean slate" approach. It supported the proposed establishment of an ad hoc body, pursuant to General Assembly resolution 48/223 C. The mandate and modalities of such a body must, however, be carefully defined and its membership must be as broadly based as possible, taking full account of the principle of equitable geographical distribution.

26. Mr. AGAM (Malaysia), echoing the concerns recently expressed by the Under-Secretary-General for Administration and Management regarding the precarious financial situation of the United Nations, said that, while his delegation

recognized the economic difficulties faced by some Member States in trying to reduce their arrears, it did not believe that such difficulties should be invoked in making demands on the United Nations. Malaysia had consistently paid its assessed contributions to the regular budget and to peace-keeping budgets on time, and felt that the payment of such contributions in full and on time was critical to the Organization's efficient functioning.

27. Commenting on the scale of assessments based on the principle of capacity to pay, he said that some thought should be given to ensuring the reliability of the current methodology, which was based on per capita national income together with other national-income-based criteria. Some elements of the national income data compiled by the Statistical Division might be outdated or based on weak underlying statistics; figures for recent years might be simply extrapolations or "guesstimates". The use of exchange rates to convert national income data to United States dollars could also, given the volatility of exchange rates and the fact that in most cases they did not reflect the purchasing power of the currencies in question, result in distortions, which could negate the effect of applying a multi-year statistical base.

28. With regard to the overall financial difficulties of the United Nations, he said that an analysis of the revenue side of the budget must be accompanied by an analysis of expenditures, and that a more transparent form of auditing - preferably external auditing - was equally important.

29. Referring to the recommendations of the Committee on Contributions regarding the scale of assessments for the period 1995-1997, based on the capacity to pay of Member States, he said that one of the elements of capacity to pay, namely the scheme of limits, required further consideration. The recommendation for a three-step approach to the 50 per cent phase-out of the effects of the scheme of limits over the period 1995 to 1997 was in compliance with General Assembly resolution 48/223. Such an approach was a reasonable compromise that would avoid excessive changes in assessment rates.

30. In conclusion, he expressed his delegation's support for the Committee's recommendations on the scale of assessments for the regular budget for the years 1995-1997 and welcomed General Assembly resolution 48/223 C, in which the Committee on Contributions was requested to undertake a thorough and comprehensive review of all aspects of the scale methodology and to report thereon to the General Assembly at its fiftieth session.

AGENDA ITEM 120: FINANCING OF THE UNITED NATIONS OBSERVER MISSION IN EL SALVADOR (continued) (A/C.5/49/L.3)

31. The CHAIRMAN drew the Committee's attention to the draft decision contained in document A/C.5/49/L.3, entitled "Financing of the United Nations Observer Mission in El Salvador", in particular to paragraph (c) thereof, which reflected a decision taken during informal consultations to the effect that the Secretary-General's performance report for the period from 1 December 1993 to 31 May 1994 should be considered first by the Advisory Committee on Administrative and

Budgetary Questions and should then be submitted to the Fifth Committee for consideration together with the Advisory Committee's comments.

32. Draft decision A/C.5/49/L.3 was adopted.

33. Mr. STITT (United Kingdom), supported by Mr. SHARP (Australia), noted that the decision was of an interim nature, imposed on the Committee by the fluidity of the situation and the lack of adequate documentation. In agreeing to it, his delegation was in no way accepting the current practice of authorizing expenditure by the Secretary-General without a fresh assessment. His delegation was extremely concerned that the deadline of 10 November should be met and that the Committee should be in a position to recommend a substantive solution for the financing of the Mission by the end of November.

The meeting rose at 11.30 a.m.